Scott. II-27—58,004—24-10-47.

Dev Deptt (1948) Department.

M.S SERIES.

G.O. NO. 4356

Dated 23rd Feb

[Despatch Abstract.]

Industries — State Aid to Industries Act
Re. National Silk. Filatures Ltd — Winder
Wk. Under. Section 162 of the Indian
Companies Act — Filing of a petition.
by the — Court Liquidator in the High Court.
— Orders passed

From

The Director of Industries and Commerce, Madras.

To

The Secretary to Government, Development Department, Madras

No.S.A.1352/47 dated 5/1/48

Sir,

Sub: Acts and Rules - State Aid to Industries Act - Kollegal Silk Filatures Limited - Winding up.

Ref: Government Memo.No.106911/DII/47-1 dated 10/11/47

I enclose, a copy of the balance sheet of the Kollegal Silk Filatures Limited as it stood o th June 1947.

for Director of Industries and Commerce.

.P.S/1.

TO THE SHARE HOLDERS

OF

The Kollegal Silk Filatures, Limited

Gentlemen,

Your Directors beg to submit the Audited Accounts for the Nineth year ending 30th June 1947.

Civil Suit Against the Government of Madras to Return the Factory :—

The Appeal filed in the High Court of Madras has not come up for arguments. The documents are in print.

Arbitration Case :—The Appeal has been admitted by the High Court and the date has not been fixed for arguments.

Civil Suit Against Bangalore Silk Throwing Mills of which Mr F. L. Silva was the Proprietor :—The appeal filed by Mr. Silva in the High Court against the Judgment of Coimbatore Sub Court in favour of the Company has not been taken up.

Mr. F. L. Silva has since paid Rs. 4000/- and the balance is to be recovered.

A further sum of Rs. 1596-14-0 in full settlement has been obtained from the Director of Industries towards the cost of silk taken by Government at the time of acquisition.

As per Articles of Association Section 73 to 75, Mr. M. S. Ganesaiyar, retires and being eligible offers himself for re-election. Rajasevasakta P. Subbarama Chetty Garu resigned and Mr. S. L. Mannaji Rao was co-opted in his place as per article 79. This requires your confirmation.

Auditors for the current year have to be appointed and their remuneration fixed. The present Auditors M/s Sankaran and Raman are eligible for re-election.

The Government Director has seen the Balance Sheet, but has refrained from signing.

K. Appadurai Pillai,
S. L. Mannaji Rao,
M. S. Ganesaiyar,
} *Directors.*

Bangalore,
20th Nov. 1947

THE KOLLEGAL SILK FILATURES, LIMITED

BALANCE SHEET AS AT 30TH JUNE 1947

CAPITAL & LIABILITIES		Rs. a. p.	Rs. a.
CAPITAL—			
Authorised—			
31,850 Ordinary Shares of Rs. 10/- each	...		3,18,500 0 0
6,500 Deferred Shares of Re. 1/- each	...		6,500 0 0
			3,25,000 0 0
Issued, Subscribed & Called up—			
5,880 Ordinary Shares of Rs. 10/- each issued as fully paid up to Vendors without payments being received in cash	...	58,800 0 0	
11,620 Ordinary Shares of Rs. 10/- each issued for payments in cash fully called up Rs. 1,16,200 0 0			
112 *Less* Shares forfeited ,, 1,120 0 0		1,15,080 0 0	
11,508			
17,388 Total Ordinary Shares fully paid up	...		1,73,880 0 0
1,200 Deferred Shares of Re. 1/- each issued as fully paid up to Vendors without payments being received in cash	...	1,200 0 0	
2,300 Deferred Shares of Re. 1/- each issued for payments in cash fully paid up	...	2,300 0 0	
3,500 Total Deferred Shares fully paid up	...		3,500 0 0
			1,77,380 0 0
FORFEITED SHARES	...		530 0 0
CALLS IN ADVANCE	...		55 0 0
UNCLAIMED DIVIDENDS	...		35 8 0
LIABILITIES—			
For Expenses	...	135 0 0	
Other finance	...	643 10 0	778 10 0

PROPERTY & ASSETS			
BOOK DEBTS—			
Unsecured—Considered Doubtful:			
Due by the Bangalore Silk Throwing Mills in which Mr. F. L. Silva, an ex-director is interested and the suit filed for the recovery of which has been decreed in favour of the Company. A sum of Ks. 4,000/ was received against the decree amount on 7th October 1947	...		
Due by Messrs. F. L. Silva & Sons—			
Considered Doubtful	...		
INVESTMENT—			
3% 1958 Mysore State Loan Bonds (Face value Rs. 23,100/- Market Value Rs. 7/=)	...		
INTEREST ACCRUED ON FIXED DEPOSITS:	...		
CASH AND OTHER BALANCES—			
Cash with Bankers on Current Account	...		1,559
,, with Bankers on Fixed Deposit Accounts	...		1,42,000
PROFIT & LOSS—			
Net Loss for the year as per Profit & Loss Account	...		3,826
Less Balance as per last Balance Sheet	...		1,694

Total Rs. ... 1,79,002

Shankaran & Raman,
Registered Accountants, Au
21-11-4

A. Appadurai Fillai,
Director.
20-11-47.

S. L. Mannaji Rao,
Director.
20-11-47.

M. S. Ganesaiyar,
Managing Director.
20-11-47

Profit & Loss Account for the year end 30th June 1947

Dr.

		Rs.	a.	p.
To Managing Director's allowance		1,200	0	0
,, Directors' Sitting fees		80	0	0
,, ,, Travelling Expenses		306	11	0
,, Office Staff Salaries		900	0	0
,, Rent		360	0	0
,, Post and Telegrams		30	14	9
,, Travelling Expenses	...	78	0	0
,, Bank Charges	....	4	4	0
,, Legal Charges	...	7,281	3	0
,, Audit fee	...	75	0	0
,, General Charges.	...	133	11	9
Total Rs. ...		10,449	12	6

		Rs.	a.	p.
By Interest	...	5,016	4	0
,, Share Transfer & Splitting fees	...			
,, Miscellaneous Income: (Balance cost of 142 lbs of Silk taken over by the Government of Madr)	...	1,596	14	0
,, Net Loss for the year	...	3,826	2	6
Total Rs. ...		10,449	12	6

1. S. L. Mannaji Rao,
2. A. Appadurai Pillai,
20-11-47 } *Directors.*

M. S. Ganesaiyar,
Managing Director.
20-11-47

..eport of the Auditors to the Members of the Kollegal Silk Filatures, Ltd.

he Balance Sheet of the Kollegal Silk Filatures, Ltd., as at 30th June 1947, as set forth above and the Profit & Loss Account for the year ended that date and have obtained all the information and explanations we have required.

In our opinion, such Balance Sheet & Profit & Loss Account are drawn up in conformity with the law and the Balance Sheet exhibits a true and correct view of the state of the Company's affairs on the date according to the best of our information and the explanations given to us as shown by the books of the Company. We are further of the opinon that Books of Account have been kept by the Company for the period under report as required by Section 130 of the Indian Companies Act.

Madras,
21st Nov. 1947.

Sankaran & Raman,
Registered Accountants, Auditors.

BOOK POST

THE KOLLEGAL SILK FILATURES, LTD.

KOLLEGAL

NOTICE

NOTICE is hereby given that the Nineth Annual General Meeting of the share holders of the Kollegal Silk Filatures Ltd. will be held at the office of Messrs. Aiyar and Co., Kempegowda Road, Bangalore City on Saturday the 27th December 1947 at 4 p. m. to transact the following business.

To receive and adopt the certified and Audited Balance Sheet of the Company as at 30th June 1947 together with the Dicectors' Report.

Mr. S. L. Mannaji Rao was co-opted as a Director during the year in place of Sri Rajasevasakta P. Subbarama Chetty Garu resigned and the same requires your confirmation, as per article 79.

To elect one director in place of Mr. M. S. Ganesaiyar who retires as per article 74 and being eligible offers himself for re-election.

To appoint auditors in place of the retiring Auditors Messrs Sankarar and Raman who are eligible for re-election.

By order of the Board,

Bangalore, 20-11-47.

M. S. Ganesaiyar,
Managing Director.

The Transfer Books of the Company will be closed from the 20th Day of December 1947 to the end of the month.

INDIAN PRESS, B.CITY

Proposed by K Chetti
seconded by In Rang

Development Dept. 3

4067DP/48-1

Memo No. 40 [illegible] dated 16.1.48

Industries — State Aid to Industries Act — The Kollegal Silk Filatures Ltd, Kollegal — winding up.

The Kollegal Silk Filatures Ltd is a Joint Stock Company in which the Govt. have taken shares to the value of Rs. 17850/- under the provisions of the State Aid to Industries Act. The Sericultural Expert, Kollegal is the Govt. Representative on the Board of Directors of the Company. Copies of the letter no. 2160-D/[illegible] dt. 4-5-46 together with other relevant papers and a copy of the balance sheet of the Company as it stood on the 30th June 1947 are communicated to the Regr. of Joint Stock Companies. The Registrar is requested to state whether action can report, in consultation with the Govt. Solicitor, Madras, whether action can be taken by the Govt. for winding up the Company under Section 162 of the Indian Companies Act and if not, what steps should be taken to protect the shares held by

the Govt. in the Company

14.1.48

CPS

15.1.48

with Secy. Fin

To The R.D.C 22/1/48

Encls. 4 Copies of balance sheet as per 3-6 cf. in addl. to the rebd. 6 copies of Nos 1-4,
- 31, 35, 37-38, 41, 47, 49-50, 51-53 cf (N)

R.D. 15.2.48.

URGENT.

From H.M.Small Esq., O.B.E., M.A.,LL.B., Government Solicitor, Madras.

To The Registrar of Joint Stock Companies Madras.

No. 513 18th February 1948.

Sir,

Industries - State Aid to Industries Act - The Kollegal Silk Filatures Ltd. - Winding up - Your letter C.No.238/48 of the 9th instant.

20766 Dr/48

In returning herewith the enclosures to your above mentioned letter, I am to advise that, in the circumstances of the case, there is a fair chance of the High Court ordering the winding up of the company under section 162 (vi) of the Indian Companies Act, 1913, though the matter is one largely at the discretion of the Court and it would be necessary, in this particular case, to have the evidence in Court of a person with a practical knowledge of the silk filatures trade with regard to the lack of prospects of the company being able to resume its business and to carry it on at a profit. The decisive question will be whether at the date of the presentation of the petition for winding up there is any reasonable hope that the object of trading at a profit is attainable or can be resumed, and the Court will not of its own view determine the question but will expect to have the evidence of a person with practical knowledge and experience, as indicated above. Probably the best witness would be the Government director on the board of the company viz., the Sericultural Expert.

The essential facts are that the company is lacking in the essential machinery to carry on or resume the business for which it was promoted and it is quite impossible to state with any certainty when it could acquire such machinery. In the absence of such machinery, not unnaturally, the company has been working at a loss for three years and it is obvious from a study of the Balance Sheet as at 30th June

4067/48

1947 that the assets ~~of~~ will not be sufficient, after paying the liabilities of the company, to cover the full nominal value of the share capital. The position is bound to deteriorate further unless and until the machinery referred to above can be acquired and set working.

I am unable to think of any step other than an application for winding up under the abovesaid section 162(vi), which can be taken to protect the shares held by Government. Those shares have already lost some of their value and the object of the petition for winding up would be to make sure that the loss is arrested by as early a dissolution of the company as possible. On the face of the last balance shee it seems quite certain that no offer would be received in the open market for the purchase of Government's shares at their nominal value.

H.M. Small
Government Solicitor.

HMS/MRV

5/4 Copy for information to the Secretary to the Government of Madras Development Department, Fort St.George, Madras, with reference to his Memorandum No.4067/DII/48-1 of the 16th ultimo to the Registrar of Joi Stock Companies, Madras.

PP 3.4 [illegible]

To AS

The reply from the R.J.S.C may be awaited
10.3.48

[illegible]
15.3.48

— 19.2.48

Companies Department.

From: Sri Diwan Bahadur H.Krishnamurti,
Registrar of Joint Stock Cos., MADRAS

To: The Joint Secretary to Government,
Development Department, FORT ST.GEORGE.

21233
20 2-48

C.No.238/48, dated 19-2-1948.

Sir,

Sub: Industries - State Aid to Industries Act -
The Kollegal Silk Filatures Ltd. - winding up.
Ref: Memorandum No.4067-D.II/48-1, Devt., d/16-1-1948.

A copy of my letter No.C.238/48 dated 9-2-1948 of the Government Solicitor, Madras and of his reply thereto dated 18-2-48 are submitted.

encls. - Three.
msd.19.2.

for Registrar.

p.t.o.

Copy of letter No.C.238/48 dated 9-2-1948 from the Registrar of Joint Stock Companies, Madras to the Government Solicitor, High Court, Madras.

.o.

Sub: Industries - State Aid to Industries Act - The Kollegal Silk Filatures, Ltd., Kollegal - winding up.

7-8 above

I enclose herewith a copy of the Government memorandum No.4067-D II/48-1, Devt., dated 16th January 1948 and of its enclosures. I request that my report in the Annexure may be submitted to the Government along with your views in the matter.

P 13-14 below

/true copy/

Madras, d/19-2-48.

for Registrar of J.S.Cs.

ANNEXURE.

Subject:- The Kollegal Silk Filatures Ltd., - Winding up.

The Kollegal Silk Filatures Ltd., was registered on 10-11-37 as a public company limited by shares with an authorised capital of Rs.3,25,000/-. It has its registered office now at Kollegal within the jurisdiction of the Assistant Registrar Erode.

2. It is seen from the records that the Silk Filature Factory at Kollegal together with its movable and immovable properties were acquired by the Government in March, 1943.

3. Messrs. F.S. Silva & Sons., were the Managing Agents upto 30-6-42. From 1-7-42 to the third week of February, 1943 Mr. K.T. Acharya, Sericultural Expert and Government Director was the Managing Director and the present Managing Director Mr. M.S. Ganesa Aiyar holds office from 24-2-43.

4. The registered office of the company is nominally at Kollegal, but all correspondence is being conducted from Bangalore City where the Managing Director is staying as a matter of convenience.

5. After the company was taken over by the Government there was a move to wind up the company but the shareholders seem to have resolved that the company should not be wound up. The company has appealed to the High Court for the restoration of the factory by the Government. The Managing Director in his letter dated 8-9-47 has stated that if the decision is favourable, the company will work the factory and if otherwise, it will go into liquidation.

6. The question for consideration is whether action can be taken by the Government for winding up the company under section 162 of the Indian Companies Act and if not what steps should be taken to protect the shares held by the Government in the company to the value of Rs.17,850/- (1750 Ordinary shares and 350 Deferred shares). Section 162 provides six grounds on which a company may be wound up by the Court:-

Ground I: Does not exist at present. But from what the Managing Director says it may be gathered that the company is likely to go into liquidation if the civil suit for the restoration of the factory is unfavourable to the company.

Ground II: Does not exist. All the documents and returns due from the company have been received upto date without exception.

Ground III: It is doubtful whether the company can be deemed to have suspended its business for a year, as viewed by the Government Pleader, Coimbatore. The term 'Carrying on Business' as explained by the Privy Council - "18 Bombay 294" - is an elastic one and is almost incapable of definition. The tribunal must in each case look to the particular circumstances. Again the term 'Business' has been defined in Smith vs Anderson in 15-C D 247- as meaning "anything which occupies the time and attention and labour of a man for the purpose of profit". If thi criterion is taken, the company cannot be deemed to have suspended its business, as it has a registered office with a Managing Directo looking after the correspondence of the company. Moreover all the returns due from the company have been received. In the circumstances the company should be deemed to be in operation.

Even granting that the company has suspended its business since 30th March '43 the date on which the properties of the company were acquired by the Government, the power of the Court to wind up a company which has not carried on business for a year is discretionary and will not be exercised unless there are indications that the company has no intention of continuing its business. Similarly if the suspension of its business for a year is well accounted for and appears to be due to temporary or unavoidable causes; the Court will not order a windin up. (Puralidhar Roy vs The Bengal Steam Ship Co.,Ltd.)

Ground IV: Does not exist.

Ground V: Section 163 of the Act lays down specific instances when the company shall be deemed unable to pay its debts. The Government Pleader, Coimbatore advocated the above point as the best ground for the winding up of the company as the company had then failed to discharge the debts due to Government by way of costs to the extent of about Rs.4000/-. But from the letter of the Government to the Director of Industries and Commerce No.29859 D 11/46-8 dated 25-10-46, it is seen that the company has discharged the above debts due to the Government. Hence this ground also has vanished.

Ground VI: The words 'just and enquitable' in this clause are of the widest significance. It is a question of fact and each case must depend on its own circumstances. The court will not make the order of winding up unless there is some special reason for so doing such as the following viz., when the substratum of the company is gone or when there is a complete dead lock in the management of the company's affairs or where the company was from its inception fraudulent or causes such as mismanagement or misappropriation of funds by Directors, lack of confidence in the management of the company's affairs by the Directors etc. None of the above conditions is satisfied in this case with the exception of the ground that the Substratum of the company is gone. The substratum of a company is deemed to be gone when (a) the subject matter of the company is gone or (b) the object for which it was incorporated has substantially failed or (c) it is impossible to carry on the business of the company except at a loss or (d) the existing and possible assets are insufficient to meet the existing liabilities. Of these, clause (c) may be applied for moving the Court as the company has been working at a loss since 1945, as evidenced by the following Balance sheets:-

Balance Sheet.			Loss.	
As on 30-6-45	Rs.	4044	12	6.
As on 30-6-46	Rs.	3325	6	6.
As on 30-6-47	Rs.	3826	2	6.

It may therefore be assumed that the business of the company cannot be carried on in future except at a loss.

7. Having regard to the circumstances specified above I am of opinion that action may be taken by the Government for winding up this company under Section 162(vi) on the ground that the substratum of the company is deemed to be gone, in other words it is impossible to carry on business of the company except at a loss.

8. No other course appears to be feasible under the circumstances of the case.

9. The balance sheet as on 30-6-47 may be resubmitted to Government.

V.R.10.2. for REGISTRAR OF JOINT STOCK COMPANIES.

Copy of letter No.513, dated 18th February 1948 from t Government Solicitor, Madras to the Registrar of Joint Stock Companies, Madras.

Industries - State Aid to Industries Act - The Kollegal Silk Filatures Ltd. - Winding up - Your letter C.No.238/48 of the 9th instant.

In returning herewith the enclosures to your above mentioned letter, I am to advise that in the circumstances of the case, there is a fair chance of the High Court ordering the winding up of the company under section 162(vi) of the Indian Companies Act,1913, though the matter is one largely at the discretion of the Court and it would be necessary, in this - - particulars case, to have the evidence in Court of a person with a practical knowledge of the silk filatures trade with regard to the lack of prospects of the company being able to resume its business and to carry it on at a profit. The decisive question will be whether at the date of the presentation of the petition for winding up there is any reasonable hope that the object of trading at a profit is attainable or can be resumed, and the Court will not of its own view determine the question but will expect to have the evidence of a person with practical knowledge and experience, as indicated above. Probably the best witness would be the Government director on the board of th company viz., the Sericultural Expert.

The essential facts are that the company is lacking in the essential machinery to carry on or resume the business fo which it was promoted and it is quite impossible to state with any

any certainty when it could acquire such machinery. In the absence of such machinery, not unnaturally, the company has been working at a loss for three years and it is obvious from a study of the Balance Sheet as at 30th June 1947 that the assets will not be sufficient, after paying the liabilities of the company, to cover the full nominal value of the share capital. The position is bound to deteriorate further unless and until the machinery referred to above can be acquired and set working.

I am unable to think of any step other than an application for winding up under the abovesaid section 162(vi) which can be taken to protect the shares held by Government. Those shares have already lost some of their value and the object of the petition for winding up would be to make sure that the loss is arrested by as early a dissolution of the company as possible. On the face of the last balance sheet it seems quite certain that no offer would be received in the open market for the purchase of Government's shares at their nominal value.
A47 of (N)

/true copy/

for Registrar of
Joint Stock Companies.

Madras,
d/19-2-48.

Memo
9/3/48

Dev Dept

Memo No 4067 DII/48-4 Dt 19.3.48

Sub. Acts and Rules - State Aid to Industries Act - Kollegal Silk Filatures Ltd - winding up

Ref. from the DIC No SA 1352/47 Dt 5.1.48

PICP

The DIC is requested to state the stage at which the appeal preferred by the Kollegal Silk Filatures Ltd to the High Court for the restoration of the factory by the Govt stands. He is also requested to obtain and forward at an early date the remarks of the Sericultural Expert on the future prospects of the Company based on his practical knowledge of trade and local conditions, in particular whether there is a reasonable hope that the objects of the Ampere Co can be attained within a reasonable time

Important

To the DIC
20.4.48

9/3/48
13.3.48

Copy
19/3/48

Industries and Commerce Department.

From

The Director of Industries and Commerce, Madras.

To

The Secretary to Government, Development Department, Madras

No.3.A.1352/47 dated 6/4/48.

Sir,

Sub: State Aid to Industries - Kollegal Silk Filatures Limited - winding up
Ref: Government memo.No.4067/DII/48-4 dated 19/3/48.

I invite a reference to my letter No.2160/D/42 dated 19/2/48 and have to state that I have not yet received any further reference from the Government Pleader regarding the appeals.

As regards the future prospects of the Company, I have addressed the Sericultural Expert, Kollegal and on receipt of his reply I shall forward it to Government.

for Director of Industries and Commerce

Industries & Commerce Department.

From

The Director of Industries & Commerce, Chepauk, MADRAS

TO

The Secretary to Govt.,
Development Department, Fort St. George, MADRAS.

Sir,

No. S.A. 1352/47, dated 24-4-43.

Sub: State Aid to Industries - The Kollegal Silk Filatures, Ltd., Kollegal - winding up -

Ref: 1) Govt. memo. No. 4067-D.II/43-4, dated 11-3-43.
2) My letter No. S.A.1352/47, dated 6-4-43.

p 17 above
p 19 above

In continuation of my letter cited, I enclose a copy of the letter No. 161-B/45(KSF) dated 20-4-43 received from the Sericultural Expert, Kollegal, wherein he has submitted his remarks on the subject.

p 23 below

MS/26/4/-

for Director of Industries & Commerce.

Copy of letter No.161-B/45 dated 20-4-48 from the Sericultural Expert, Government Silk Filature, Kollegal to the Joint Director of Industries and Commerce, Madras.

--

Sub: State Aid to Industries - Kollegal Silk Filature Ltd, Winding up.
Ref: Government Memo No.4067-DII/48-4 dated 19-3-48. communicated under Director's endt. SA.1352/47 dated 5th April 1948 .

As already submitted in a conjoint note under No.161-B/45 (KSF) dated 21-10-47 of the General Manager, Govt. Silk Filature and the Sericultural Expert, there is absolutely no scope for another filature to be operated in Kollegal taluk. Even during control days when the entire production of cocoons was commandeered for the use of the Govt. Silk Filature for war purposes, the maximum No. of basins that was worked at the Govt. Silk Filatures and Kollegal Silk Filatures was only 497. Now after the control was removed, charka reeling was restarted and consequently the capacity of the Govt . Silk Filature was considerably reduced. On an average, the No. of basins worked at the Govt. Silk Filatures does not exceed 250. Even to feed these 250 basins, considerable difficulty is being felt as there is not only keen competition from the charkz reelers of Kollegal Taluk but also from the neighbouring reeling centres in Mysore State who draw considerable supplies of cocoons from the villages in Kollegal owing to the proximity of the area. In these circumstances it is difficult for any other filature unit to work successfully. I may submit in this connection that the Mysore Silk Filatures, a premier joint stock concern having several branch filatures, have to close down most of their branch filatures for want of cocoons. Their branches at Mamballi, Santhemarahalli, Khuderu and Chamarajanagar which are very close to Kollegal taluk have been closed for want of cocoons besides the fact that silk market was bad.

In addition to the above practical difficulty of procuring adquate quantity of raw materials Viz. Cocoons I submit that the silk market has been very unsteady for the past one year owing to the importation of foreign silk at cheap rates. It is only now that Government of India have outlined their policy in regard to the foreign imports. But, however, it is difficult for a joint stock company to maintain itself against unsteady market conditions. I submit in this connection that the contemporary filatures in Mysore have all been closed down for the past 3 or 4 months excepting the Mysore Govt. Filature at Hankanhalli on account of heavy losses incurred by them. Judging by all these facts, I am of opinion that there is practically no chance of the Kollega Silk Filature Ltd, being worked on a satisfactory and profitable basis in case the factory is restored to the company

Development Dept.

Issue 16/5/48

Memo. No 4067 DII/Cgf-5 Dt 4-5-48

State Aid to Industries — The Kollegal Silk Filatures, Ltd., Kollegal — Winding up.

Ref (1) From the D.I.& C. No. ~~161-B/45-(16 F) dt 20-6-46~~ S.A. 135-2/47 dt 6-6-48

p 19 cf

p 21 cf (2) " " No. S.A. 135-2/47 dated 24-6-4

The D.I.& C. is requested to ascertain from the Govt. Pleader and report urgently at what stage the appeal preferred by the Kollegal Silk Filatures Ltd. to the High Court for the restoration of the factory by Govt. stands

dpd 7/5/48 — CP 4.5.48

To The D.I.& C.

R.D. 25-5-48 'A' on p-19 cf

Note — Please see the Memo. to the D.I.& C. at p. 17 cf. and his reply at p. 19 cf. The D.I.& C. may be asked to ascertain from the Govt. Pleader and report at what stage the appeal stand

The draft Memo. submitted above is for approval.

CP 4.5.48

Industries and Commerce Department.

From
The Director of Industries and Commerce,
Triplicane, Madras.

To
The Secretary to Government,
Development Department,
Madras.

6021 DR/48-2
27-5-48

No. 2160-D/47 dated 21-5-48.

Sir,

Sub: State Aid to Industries, ~~Kanara Soap Industries~~ Kollegal Silk Filatures Ltd., Kollegal - winding up.
Ref: Government memo No. 4067 D.II/48-5 Dev. dated 4-5-48.

p-24 above

The Government Pleader, Madras has stated the appeal No. A.S.567 of 1946 is ready for hearing and is pending and that the appeal No. CLA.334 of 1947 is not ready for hearing and is pending.

kap.25-5.

for Director of Industries and Commerce,
Madras

Development Dept.

Confdl

Memo No. 40679 Dev. II/48-8 dated 9-7-48

V.E. Issued 8-7-48

Industries — State Aid to Industries Act — Tiee Kollegal Silk Filatures Ltd., Kollegal — Winding up

The attention of the Government Solicitor is invited to his letter No. 5-13 dated 18-2-48. addressed to the Registrar of Joint Stock Companies, Madras wherein he has stated that there is a fair chance of the High Court ordering the winding up of the Kollegal Silk Filatures Ltd., Kollegal. It is reported that the appeal preferred by the Company to the High Court for the restoration of its property acquired by the Govt. (Appeal No. 567 of 1946) is coming up for hearing In G.O. No. 476 Dev. dated 7-2-47, the Advocate General has been engaged on behalf of the Govt. to oppose this appeal. The Govt. Solicitor is requested to obtain the opinion of the Advocate General as to the advisability of

p. 15 above

cmp. 15 above

p 27 W

p 6 cf (S)

M inp 6 nf

filing an application for winding up the Company under Section 162 (vi) of the Indian Companies before the disposal of the appeal before the High Court and communicate the opinion of the Advocate General to the Govt. at an early date.

extract at (T)
M'anp 6 nf

8/7.7.48

CPJ
9.7.48

To
The Govt. Solicitor,
Madras

R.D.5.8.48

9.7.48

Confidential.

From

80494 D II/1ef 21-7-48

Leslie D. Miller Esq.,
Ag. Government Solicitor,
Madras.

To

The Secretary to the Government
of Madras,
Development Department,
Fort St. George, Madras.

D II/

No. 2063. Dated 19th July 1948.

Sir,

Industries - State Aid to Industries Act - The Kollegal Silk Filatures Ltd., Kollegal - Winding up.

21/ With reference to memorandum No.4067 D II/48-8 dated 9th instant
p.33 below I enclose in original confidential opinion No.34 dated 16th instant of the learned Advocate-General on the points referred to him.

RV

Yours faithfully,

Leslie D. Miller

Ag. Government Solicitor.

2064. Copy for information to The Secretary to the Government of Madras,
Legal Department,
Fort St. George,
Madras.

Confidential.

No.34.

O P I N I O N.

Sub: Industries - State Aid to Industries Act - The Kollegal Silk Filatures Ltd., Kollegal - Winding up:

Ref: Memorandum No.4067 D II/48-8 dated the 9th July 1948, Development Department.

pp 29-30 above

A | I do not see any objection to the filing of an application for winding up the company as suggested by the Government Solicitor. The appeal before the High Court only challenges the validity of the requisition and acquisition order and claims damages. The winding up application proceeds on a different ground altogether. The Government is a share-holder and as the result of its actual experience in working the company, finds that it is not profitable to do so and that winding up is inevitable, ~~this~~ a proceeding which has nothing to do with the appeal; and hence if so advised, the winding up petition

B | may be filed before the disposal of the appeal by the High Court. The fact of the pendency of the appeal

C | might be mentioned in the winding up petition itself.

Madras.

~~16~~ 16-7-1948.

V.T. Rangaswami
Advocate General.

C.F. 16.

DRAFT FOR APPROVAL.

Development Dept.

	Date.	Initials.
When received for fair copying ..		
When copied ..		
When examined ..		
When signed ..		
When despatched.		

SUBJECT :— Industries – State Aid to Industries Act
The Kollegal Silk Filatures Ltd. – Winding up under Section 162 of the Indian Companies Act
Filing of a petition by the Govt. Solicitor in the High Court – Orders passed.

READ AGAIN _____, dated _____ 19____

" " _____ " _____ 19____

READ *ALSO* :—

p 1 cf C No. 4067 Ad II/48 From the D. I & C., No. S.A. 1357/47 dated 5-1-1949
pp 5-10 cf " _____ " " Govt. Solicitor, Madras " 513 " 18-2-1948
p 11 cf " _____ " " Regr. of Joint Stock Companies " CN 0238/48 " 19-2-48
p 21 cf " _____ " " D. I & C. " S.A. 1852/47 " 24-4-1948
p 27 cf Order Ms ~~Resolution Roll~~ No. 4356 dated 23-8-48 " Govt. Solicitor, Madras No. 2160 Ad I/47 " 21-5-48 " 2063 " 19-7-48 19____

The Govt. Solicitor, Madras is instructed to file a petition in the High Court for winding up the Kollegal Silk Filatures Ltd., Kollegal under Section 162 (vi) of the Indian Companies Act, 1913.

Extract on p 1 of (T)

The fact of the pendency of the appeal preferred by the Company to the High Court for the restoration of its property acquired by the Govt. (Appeal No. 567 of 1946) should be mentioned in the petition. The necessary particulars for filing the petition may be obtained from the D. I & C. and the R. J. S. C.

C on p. 33 cf

2. The Govt. Solicitor is requested to report the results of the petition in due course.

Three copies sent 3.9.48

To The Govt. Solicitor, Madras
The D. I & C.
The R. J. S. C.

C.P.G. 3.8.48

C.B. early (para 2) 15-1-49.
Extract in Ch. 200 2728/48

From

Leslie D. Miller Esq.,
Ag. Government Solicitor,
Madras.

To

The Secretary to Government,
Development Department,
Madra

93678

No. 2492. Dated 25th August 1948.

Sir,

INDUSTRIES - State Aid to Industries Act-The Kollegal Silk Filatures Limited- Winding up under section 162 of the Indian Companies Act- Filing of a petition by the Government Solicitor in the High Court - Orders passed.

I am in receipt of your G.O.No.Ms.4356 dated the 23rd instant. I have today requested the Director of Industries and Commerce Madras to furnish to me the particulars required for the filing of the petition. As soon as this is done I shall draft the petition, have the same settled by the Advocate General and filed into Court. I shall write to you again after the petition has been filed. As the proceedings for the winding up of the company should be by an original petition in the High Court the Learned Advocate General should appear on behalf of Government, instructed by me.

Yours faithfully,

Leslie D. Miller

Ag. Government Solicitor.

CD:VA.

Dear Deptt (DR)

T.O.S

The letter at P.1 above is submitted for perusal. May be lodged and added to the papers at (IV)

Sd/-
4/9/'20

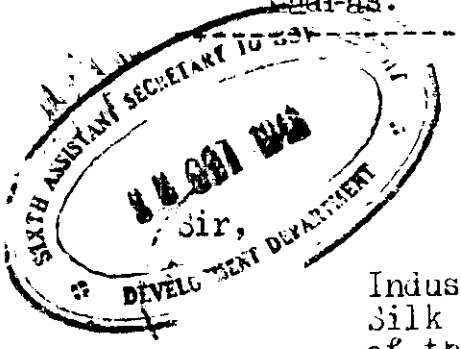
4/9/20

From

H... Small Esq., O.B.E.,
M.A., LL.B.,
Government Solicitor,
Madras.

To

The Secretary to Government,
Development Department,
Fort St. George,
Madras.



No. 3105. Dated 19th October 1948.

Sir,

Industries - State Aid to Industries Act - The Kollegal Silk Filatures Limited - Winding up under section 162 of the Indian Companies Act - Filing of a petition by the Government Solicitor in the High Court - Orders passed.

Referring to my letter No.2492 dated the 25th August last I have since obtained from the Director of Industries and the Registrar of Joint Stock Companies the necessary information for filing the petition in Court and have prepared a draft of the petition. As stated in my last letter I have sent the draft petition to the learned Advocate General to be settled by him. I have also requested the Advocate General to advise whether the averments contained in the draft petition are enough to justify an application for winding up of the company under the provisions of section 162(vi) of the Indian Companies Act. I shall advert again as soon as the petition is ready to be filed.

Yours faithfully,

Government Solicitor.

From

H.M. Small Esq., O.B.E., M.A., LL.B.,
Government Solicitor,
Madras.

To

The Secretary to Government,
Development Department,
Fort St. George,
Madras.

---

8 DEC 1948
DEVELOPMENT DEPARTMENT

No. 3797. Dated 7th December 1948.

131002 8.12.48 D11

Sir,

Industries - State Aid to Industries Act - The Kollegal Silk Filatures Limited - Winding up under section 162 of the Indian Companies Act - Filing of a petition by the Government Solicitor in the High Court. Orders passed

35c.f (B)
G.O. 4356d/238-48
39c.f (B)

Referring to my letter No.3105 dated the 19th October last the Advocate General has not yet returned to me the draft petition duly settled. I have reminded him today and shall write you again on hearing from him.

Yours faithfully,

H.M. Small

Government Solicitor.

CD/VS.

Dev. Dept.

To A.S.

Submitted for perusal. May be lodged and added to the G.O at (B).

11.12.48 11.12.48 13/12

Dev Dept (D)

Extract of CB

200.

5632
18.1.08

S.No.
Date of entry in the register

23.8.08

Sub:- Industries - State Aid to Industries Act. — The Kollegal Silk Filature Ltd - Winding up under Sec 162 of I.C Act. - Filing of a petition by the Govt Solicitor in the High Court -

4067 Dis/ref.

p 35 c.b (1)

Old C.No.
No. and date of G.O authorising the entry

G.O MS No. 4356 Dev
23.8.08 ref.

Date when further action is to be

5-1-09

TO A.S.

Please see the C.B Extract on p.1 above.
A draft memo to the Govt. Solicitor is submitted below for approval:

19.1.1966 19.1.66

20/1/66

Issue.
20.1.49

D.W. Deptt.

Memo No. 5632 D II/49-1 dated 20-1-49.

Sub: Industries – State Aid to Industries Act –
The Kollegal Silk Filatures Ltd., –
Winding up under Section 162 of the
Indian companies Act – Filing of a
petition by the Govt. Solicitor in the
High Court.

P.4 C of A (T) Ref: From the Govt. Solicitor, Letter No. 3797
dated 7-12-1948.

The Govt. Solicitor is requested
to state when the further communication
promised in his letter cited may be
expected.

BSR
19.1.49
19.1.49

SR
20/1/49

20.1.49

Mr. H. H. Small, Asst.
Govt. Solicitor,
Madras.
R. D. 19-2-49

From

H.M. Small Esq., O.B.E.,
M.A., LL.B.,
Government Solicitor,
Madras.

To

The Secretary to Government,
Development Department,
Fort St. George,
Madras.

96,71 Ba/49
28.1.49

No. 355.

Dated 25th January 1949.

Sir,

Industries - State Aid to Industries Act - The Kollegal Silk Filatures Limited - Winding up under Section 162 of the Indian Companies Act - Filing of a petition in the High Court.

p.3 above

With reference to your letter No.5632 DII/49-1 dated the 20th instant the petition for winding up the above company was filed into Court on the 3rd instant and notices of the petition as per the directions of the Court have already been published. The petition is posted for hearing on the 14th proximo which, however, is only a provisional date.

Yours faithfully,

C. Jagadeesan

for Government Solicitor.

CD/VS.

D-2 sent to issue on 1/3

TO A:S.

Dev. Dept.

from the Govt. solic

Please see the letter on P.5 above. This may lie over till 28.2.1949, when the Govt. Solicitor may be reminded again, if necessary. ~~addressed to watch the progress of the case.~~

29.1.49

29.1.49

29/1/49

Dev. Dept.

Issue DSR 1.3.49

Memo: No. 5632 Dev/49-2 dated 1.3.49

C.I.: Industries – State Aid to Industries Act – The Kollegal Silk Filatures Ltd., – Winding up under Sec. 162 of the Indian Companies Act – Filing of a petition by the Govt. Solicitor in the High court.

S.C.f. Ref: From the Govt. Solicitor, No. 355 d/25-1-49.

The Govt. Solicitor is requested to state the stage at which the matter stands.

DSR 28.2.49 28.2.49. 1/3/49

To
The Govt. Solicitor,
Madras.

N.R. 18.3.49.

To

H.M.Small Esq., O.B.E.,
M.A., LL.B.,
Government Solicitor,
Madras.

The Secretary to the Government,
Development Department,
Fort St.George,
Madras.

9 MAR

No. 952.

Dated 7th March 1949.

Sir,

Industries - State Aid to Industries Act - The Kollegal Silk Filatures Ltd -Winding up under section 162 of the Indian Companies Act - High Court, Madras - O.P.No.6 of 1949.

With reference to your memorandum No.5632 DII/49-2 of the 1st instant I have the honour to state that the above petition has been adjourned to the 14th instant for hearing.

CD/CJ.

Yours faithfully,

C. Jagadisan

for Government Solicitor.

Dy. Supdt.

Submitted for perusal. This may lie over till 20-3-1949, when the Govt. solicitor may be reminded, if necessary.

DSA
9.3.49.
9-3-49

11-3-49 Sent for issue

Rl. issued
21/3

101-103
21/3

Memo. No. Sb 32 DII/09-8 dated 21-

Sub: Industries – State Aid to Industries Act – M/s Kalleyad Silk Filatures & Sld – winding ups under Section 162 of the Indian Companies Act – High Court of Madras – O.P.No.69/1909

Ref letter from the Govt. Solicitor. No 95:203/Pl

~~Dear Sir~~ The Govt. Solicitor is requested ~~to obtain and furnish report on the matter~~ to state the stage at which the matter stands

21.8.09

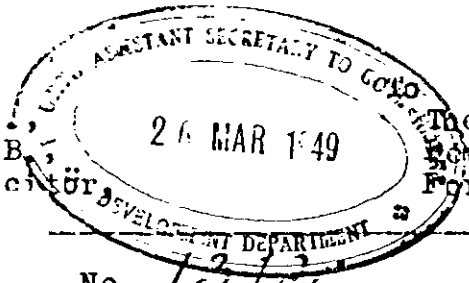
To. The Govt. Solicitor
Madras

M.R.No. 22/4/09.

Sd
21/8/09

From

H. M. Small Esq.,
M.A.,LL.B.,
Government Solicitor,
Madras.



To

The Secretary to Government
Development Department,
Fort St. George, Madras.

No. 1272. Dated 25th March 1949.

Sir,

Sub: Industries - State Aid to Industries Act - The Kollegal Silk Filatures Ltd., - Winding up under section 162 of the Indian Companies Act - High Court of Madras - O.P.No.6 of 1949.

With reference to your memorandum No.5632 DII/49-3 dated the 21st instant, the above petition has been adjourned by one month from the 14th instant and may be posted before the Court on the 18th proximo.

Yours faithfully,

Government Solicitor.

CD/SM.

Submitted for perusal. N.R. 26/4/49.

Issue
28.4.48

Dev. Dept.

Memo No. 5632 Dev/48-4 dt 28.4.48

Sub: Industries - State Aid to Industries Act
The Kollegal Silk Fabrics Ltd.,
Winding up under section 162 of the
Indian companies Act - High Court of
Madras - O.P. No. 67 of 1948

P 12.5

Ref: From the Govt. Solicitor, Madras,
dr. No. 1312 d/25.3.48.

The Govt. Solicitor is requested
to state the stage at which the
matter stands

28.4.48 28.4.48

To the Govt. Solicitor,
Madras.

IV.K. 28.5.48.

54
47586 Dev/49
6.5.49

From

H.M.Small Esq., ...A., LL.B.,
Government Solicitor,
Madras.

To

The Secretary to the Government
of Madras,
Development Department,
Fort St.George, Madras.

FOURTH ASSISTANT SECRETARY TO GOVERNMENT
6 - MAY 1949
DEVELOPMENT DEPARTMENT

No. 1861 Dated 4th May 1949.

Sir,

Industries - State Aid to Industries Act- The Kollengode Silk Filatures Ltd. Winding up under Section 162 of the Indian Companies Act - High Court of Madras - O.P.No. 6 of 1949.

P.15 above

With reference to your memorandum No.5632 DII/49-4 of the 28th ultimo I have the honour to state that the above petition which came up before the Court on the 18th ultimo has been adjourned till after the reopening of the Courts in July next. A copy of my letter of the 18th ultimo to the Director of Industries and Commerce, Madras, is enclosed for your information and this sets out the circumstances under which the adjournment was ~~made~~ ordered.

CD/CJ.

Yours faithfully,

H.M. Small

Government Solicitor.

TO A.S.

Dev.Dept.

Submitted for perusal. This may be lodged with a C.B. entry against 1-8-1949 ~~be put up till 1-8-1949, when the Govt. Solicitor may be reminded, if necessary.~~

DSR 7.5.49

Entered as C.B.S.No. 276/49.

From

E.M.Small Esq., M.A., LL.B.,
Government Solicitor,
Madras

To

The Director of Industries
Commerce,
Madras.

No.1679 Dated 18th April 1949.

Sir,

State Aid to Industries -Kollegal Silk Filatures Ltd.Kollegal -Winding up of - O.P.No.6 of 1943 - High Court,Madras.

The above petition came up before the Court this morning has been adjourned and will come up before the Court in July next. The Sericultural Expert,Koblegal was present in Court today.

The advocate for the Managing Director of the company appears to have put forward certain proposals to the learned Advocate-General who requested him to make the proposals in writing. The Advocate for the Managing Director stated that he would move the Court for an adjournment to enable him to put forward his proposals to Government and the Advocate-General consented to the petition being adjourned after the reopening of the Court till July next. At the request of the Advocate-General the Advocate for the Managing Director gave an undertaking in Court that his client would not expend any of the monies of the company except for routine expenses and legal charges. This undertaking has been recorded by the Court.

The Advocate for the Managing Director has promised to communicate his client's proposals to me at an early date andon receipt of the same I shall write to you again.

Yours faithfully,
Sd/ E.M.SMALL

Government Solicitor.

Secy Deptt

CM 4067 D 11/48

Sub Acts and Rules - State Aid to Industries Act - Kollegal Silk Filatures, Ltd - Winding up

P1CF Ref. from the DIC No SA. 1352/47 dt 5.1.1948

The papers received as G.O. No 604 Rt Dev dt 26.7.47 at (N) below dealt with the proposal from the DIC for winding up the Kollegal Silk Filatures Ltd. As there were no strong grounds to justify an application for winding up the Company then it was thought desirable to wait till strong grounds were forthcoming to justify an application for winding up the Company, and with this end in view the DIC was requested to obtain and submit in due course the balance sheet of the Company as it stood on 30.6.1947 A copy of the balance sheet submitted by the DIC with his letter at P1CF is at pages 3-5 Cf. From the report at 'A' on P 3 CF it could be seen that the Govt Auditor who has seen the balance sheet does not recommend refrain from signing. It is contended that this will not thereby Govt to consider the balance sheet as valid. The Company has incurred a net loss of Rs 3,826.2.6 for the year ending 30.6.1947 as against Rs. 3,326-6-6 for the year ending 30-6-1946. It is now for consideration whether the loss incurred by the Company will be a just and equitable ground to justify the winding up of the Company. ~~Legal opinion for this for necessary advice in Connection with their notes at P 1 N (N) below~~ Attention is invited to the remarks of Legal at page 17 n/f of (N). The loss sustained by the Company cannot be considered as a sufficient ground for winding up the Company. In this connection, it is submitted that the Kollegal Silk Filatures Ltd. is a Joint Stock Company. It should therefore be possible for the Registrar of Joint St

PM P1 N F (N)

P 5 3 CF (N)

Sec 12/1/48

Companies to ~~state advice whether there is~~ advise whether action can be taken by the Govt. for winding up the Company under Section 162 of the Indian Companies Act and if not, what Steps should be taken to protect the shares to the value of Rs. 17,850 held by Govt. in the Company. For orders whether a report may be called for from the R.J.S.C. on these points. Subject to orders, a draft Memo. is submitted for approval

CP. 15.1.48

6.1.48

CPS 15.1.48

FS

[Issued as Memo No 4067 D II/48-1 dt 16.1.48] P7 C.F.

[From the R.J.S.C No 238/48 dt 19.2.48] P11 C.F.

To AS

The memo to the R.J.S cat pages 7 CF and his report on pages 13-14 CF may be perused. The views of the Govt Solicitor are at pages 15-16 CF. The Govt Solicitor is of the opinion that an application for winding up the Company under Section 162(vi) of the Indian Companies Act is the only step that can be taken to forfeit the Shares held by the Government in the Company. He has also stated that, as the Shares have already lost some of their value, the object of the petition for winding up would be to make sure that the loss is avoided by as early a dissolution of the Company as possible

2 The file may be sent to Legal for remarks. Finance may also see

Memo No 4067 D II/48

28-2-48

Legal/Fin

CPS 27.2.48

S 26.2.48

7.2.48

O 2728

Legal Department

The question was fully examined in the note of this Department at pages 6-8 and 17 n.f. of G.O.No.604 Development dated 26-7-1947 at (N) The latest opinion of the Government Solicitor is at pages 9-10 c.f. The mere fact that the Company sustained a loss of Rs.3,826-2-6 for the year ending 30th June 1947 will not be the only criterion for the Court ordering dissolution of the Company. under section 162 (vi) of the Companies Act. The questions depends on several factors set out by the Government

ASSISTANT SECRETARY 1 - MAR 1948 LEGAL DEPARTMENT

2 Para 2 ✓

Solicitor, the chief consideration being whether there is any reasonable hope that the objects with which the Company was formed can be attained within a reasonable time, and in coming to its conclusion the Court will generally form its opinion on the evidence of the persons with practical knowledge of the trade in question and local conditions - See A.T.R. 1936 P.C.114. The principal weakness in this case in Government moving for a dissolution is that referred to in the previous note of this Department at K on page 6, N on page 8 and M on page 17 of the note file in (N). Before considering the case further, it may be ascertained what became of the Company's appeal to the High Court referred to in paragraph 5 on page 13 c.f.; and the remarks of the Sericultural Expert may also be called for on the future prospects of the Company based on his practical knowledge of trade and local conditions, in particular whether there is a reasonable hope that the objects of the Company can be attained within a reasonable time.

S.

Legal no no 24 28/48-7
3. 48

Finance (~~A.S.~~) Deptt.

Please see the notes on pages 1-3 above.

~~Finance~~ Finance may agree to action being taken as suggested by Legal at X above before coming to a decision regarding making an application for dissolution of the Company.

10-3-48

11.3.48

11-3-48

Fin no 14977/A1
12/3/48

29/7

The views of Legal and Finance on pages 2-3 above may be perused. Action may be taken as suggested by Legal at X above by asking the DIR to obtain the necessary remarks from the Sericult

Expert and transmit it to Govt. Subject to orders a draft memo is submitted below for approval

3/3/48 13/3

CPP 8/3/48

Issued as Memo No. 4067 & II/48-6 dated 19-3-48. p 17 cf.

From ltr D. I & C No. S.A. 1352/47 dated 24-4-48

Issued as Memo No. 4067 & II/48-5 dated 6-5-48

From ltr D. I & C No. 2160-D/47 dated 21-5-48.

At the instance of the Legal Dept., the D. I & C was asked to

(1) to report the stage of the appeals preferred by the Kollegal Silk Filatures Ltd. to the High Court against the grant of fair & reasonable restoration of the property acquired by the Govt.

(2) to obtain and forward the remarks of the Sericultural Expert on the future prospects of the Kollegal Silk Filatures Company based on his practical knowledge of the trade and local conditions, in particular whether there is a reasonable hope that the objects of the Company can be attained within a reasonable time.

'X' on p. 3 ante

17 cf

G 1, 2

(1) above. The D. I & C reports that the appeals are still pending p. 27 cf.

(2) above. A copy of the report of the Sericultural Expert is at page 23 c.f. He is of the opinion that there is practically no chance of the Kollegal Silk Filatures Ltd. being worked on a satisfactory and profitable basis in case the factory is returned to the Company. M on p. 23 cf

The file may be returned to Legal for their final remarks.

CPP 2.6.48

2-6-48

Legal Memo No. 4067 DC/48-6

2/6/48

Legal Department

6848

Development may be requested to put up copies of the orders requisitioning and acquiring the properties of the Kollegal Silk Filatures, Ltd.

ASSISTANT SECRETARY A I 3 JUN 1948 LEGAL DEPT

15/6/48 MK 6801

To AS

Please see the remarks of Legal at the bottom of p 6 above. The orders requisitioning and acquiring the properties of the Kollegal Silk Filatures Ltd are found up at (H) and (P) respectively. The file may be returned to Legal.

CAP 22.6.48 Legal, 1-1

✓ G O No 311 dev 12-3-43

× G O No. 448 dev 30-3-43

21/6 Legal 21.6.48

G.O. No. 067 DH/act-7 22 Legal

0 765 e

ASSISTANT SECRETARY 23 JUN 1948 LEGAL DEPARTMENT

'N' on p23 cf

Legal Department

Attention is invited to the note of this Department at pages 2-3 ante and the remarks of the Sericultural Expert at page 23 c.f. The Sericultural Expert is of opinion that there is practically no chance of the company being worked on a satisfactory and profitable basis, in case the factory is restored to the company. His conclusion is based mainly on the facts ~~is~~/that there is practical difficulty in securing adequate quantity of raw materials, and that some other filatures working in Mysore have been closed on account of the import of foreign silk and the difficulty of working them successfully.

The question now is whether an application for winding up the company under section 162 (vi) of the Indian Companies Act should be made to the Court even before the disposal of the appeal which is stated to be ready for hearing. It is not possible to say when the appeal will be disposed of. The main objection which this Department raised in April 1947 to the filing of the application was that it cannot be said that the sub-stratum of the company is gone or that the objects have failed or that it is impossible to carry on any of the objects

or that the existing and probable assets of the company as seen from the balance sheet are insufficient to meet its existing liabilities. ~~There do not appear to be sufficient materials to justify a withdrawal of this objection.~~ The Government Solicitor in his opinion dated 18-2-1948 has, however, stated that there is a fair chance of the High Court ordering the winding up of the company. It should also be noted that the Advocate-General ~~was~~ is appearing on behalf of Government in the appeal which is coming up for hearing. In the circumstances, it seems very desirable to obtain the opinion of the Advocate-General as to the advisability of filing this application before the disposal of the appeal. Development Department may therefore be requested to ask the Government Solicitor to consult the Advocate-General on this point and obtain the remarks of the latter thereon.

29.6.48

SECTION ASSISTANT SECRETARY TO GOVERNMENT
1 JUL 1948
DEVELOPMENT DEPARTMENT

Development Dept. Legal U.O.7657C/48
dt 29.6.48.

With reference to the remarks of Legal at 'A' above, a draft Memo. to the Govt. Solicitor is submitted for approval.

7.7.48

9.7.48

Issued as Memo No 4067 DR/48.

[From the Government Solicitor, Madras No. 2063/19-7-48]

Please see the opinion of the Advocate-General in page 33 C/f. He is of the opinion that there is no objection to the filing of an application for winding up the company before the disposal of the appeal by the High Court. The file may

A & B on p 33 C/f

be sent to Legal with reference to 'A' on p. 6 above

24-7-48

CPL
26.7.48

Legal.

Legal Dept

Dev no. No
4067 DH/48-9

The Advocate General's opinion at p. 33 C/F. has been perused in this Dept. Steps may be taken to instruct the Govt. Solicitor to file a winding-up petition in the High Court if so desired.

27/7/48

S

Please see the remarks of Legal above. A draft order is submitted for approval. Finance may see before circulation.

3.8.48

CPL
3.8.48

Legal Dept

Misent.

5/8/48

Fin
Finance (A-A)

(Previous finance note on page 3 above)
Advocate General's opinion on page 33 C/F and the
No. draft order below may be perused
and the case returned to Dept.
[This action is proposed in the interests of the Govt who have taken shares of the value of Rs 17,850 in this Joint Stock Company, under the State Aid to Industries Act].

8.8.48

Dev no No.
4067 DH/48-10

4-8-48

Legal cell 9601C/48/10 AHG

9601C/48

5 AUG 1948

Fin.w. 76369 AA/48-1

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Development Dept.

Summarising Note.

The file deals with the proposal for winding up the Kollegal Silk Filatures Ltd. by an order of the Court under Section 162 (vi) of the Indian Companies Act, 1943.

The Kollegal Silk Filatures is a Joint Stock Company in which the Govt. have taken shares to the value of Rs.17,850/- under the provisions of the Madras State Aid to Industries Act. The Sericultural Expert, Kollegal is the Govt. representative on the Board of Directors of the Company. From the begining the Company was not working satisfactorily.

In 1943, the movable and immovable properties of the Kollegal Silk Filatures Ltd. were requisitioned and subsequently acquired by the Govt. on payment of compensation for Rs. 79,961-7-0 as the Company was not able to keep up to the delivery programme in respect of the orders placed with it by the Govt. of India, Dept. of Supply for the supply of parachute fabric. The request of the Company for the return of its properties on the cessation of the hostilities was turned down by the Govt. The Company has appealed to the High Court challenging the validity of the requisition and acquisition order and has claimed damages. The appeal is pending.

As the Govt. have not had any return so far for their investment on shares in the Company and as the company existed only in name, the D.I.&.C. submitted proposals in May 1946 for winding up the Company by an order of the Court. The question was examined in detail in consultation with Legal. It was considered that there were no strong grounds to justify an application for winding up the Company. However, in order to protect the interests of the Govt. the D.I.&.C. was asked to state whether the shares held by the Govt. in the Company could not be sold in the open market. As the D.I.&.C. reported that no one was willing to purchase the shares, it was finally decided to wait till strong grounds were forthcoming justifying an application for winding up the company and the D.I.&.C

last at (T)

cf (N) [illegible]

Ibid para 2, p 1 cf (N)

G.O.No 311 Dev 12-3-43 (H)

(P) G.O No 648 Dev 30-3-43

A on p 5 cf (H)

pp 211-212 cf (J)

G.O No 626 Dev 9-2-46

& pp 11-12 cf (G)

A on p 13 cf

p. 27 cf

M on p 1 cf (N)

pp 1-17 cf (N)

A on p 17 cf (N)

pp 37-38 cf (N)

p. 47 cf (N)

p 19 cf (N)

was asked to obtain and forward the balance sheet of the Company as it stood on 30-6-1947.

From the balance sheet of the Company forwarded by the D.I.&.C. it was found that the Company has incurred a net loss of Rs.3,826-2-6 for the year ending 30-6-47. The Registrar of Joint Stock Companies was asked to state whether action can be taken by the Govt. for winding up the Company under Section 162 of the Indian Companies Act, and if not what steps should be taken to protect the shares held by the Govt. The Registrar considered that action should be taken by the Govt. for winding up the Company under Section 162 (vi) of the Indian Companies Act, and he also forwarded the opinion of the Govt. Solicitor, Madras who has agreed with the view of the Registrar. The Legal Dept. which was consulted, wanted to know ~~whether~~ the stage of the appeal preferred by the Company for the restoration of its property acquired by Govt. and whether, in the opinion of the Sericultural Expert, the Company has any chance of being worked profitably in case the factory is restored to the Company. The D.I.&.C. reported that the appeal preferred by the Company is pending before the High Court and ~~forward~~ forwarded a copy of the report of the Sericultural Expert in which he has stated that there is practically no chance of the Company being worked on a satisfactory and profitable basis in case the factory is restored to the Company. At the instance of the Legal Dept., the Advocate General was asked to give his opinion as to whether the Govt. can file an application for winding up the Company before the appeal preferred by the Company for the restoration of its property before the High Court is disposed, of. The Advocate General has state that there is no objection to the filing of an application winding up the Company before the disposal of the appeal by the High Court. As suggested by Legal, it is now proposed instruct the Govt. Solicitor to file a petition in the High Court for winding up the Kollegal Silk Filatures Ltd. under Section 162 (vi) of the Indian Companies Act. For orders

whether the draft order submitted below may issue.

17-8-48

19.8.48

20/8/48

Htr. (Ind)

20/8

Issued as G.O No. 4356 dated [illegible]
Rs 23 & 68 J Mh 35-36 Ef